

CHAIRMAN'S STATEMENT



- **Steady corporate strategy**

The growth in 2000 was also a result of the Company's adherence to a steady corporate strategy. We emphasize the focus on toll road operations, and on the premise of consolidating our core business operations, we aim to further develop ancillary business and gradually expand into other infrastructure sectors. We set out strict criteria on returns and risks when choosing investment projects, and require these projects to be in line with the Company's long term growth strategy.

- Focusing on core business operation

The most important part of the Company's corporate strategy is its focus on developing the toll road business. Currently, 97.3% of the Company's turnover is attributable to the Company's core business of toll road operations. The business provides strong positive cash inflows to the Company, and serves as a solid foundation for the Company's growth.

The toll road business is a relatively new industry, in which we strive to become a leader. In order to enhance the Company's core competence in the toll road business, we adhere to the operating tenet of "pursue excellence", and continuously improve our key operations. We have established a quality assurance system which focuses on customers and have upgraded our toll collection system and maintenance techniques, enabling us to provide faster and more convenient service to our customers.

We have also expanded the Company's asset base and profitability through acquisition of additional interests in our existing expressways.

- Expanding ancillary businesses

The expansion of ancillary businesses can increase the value of toll roads. In addition to enjoying steady returns as evidenced from the petroleum business, the Group also excels in this regard, as evidenced by the 175% growth in the operation of its advertising business along its expressways.

- Looking into other infrastructure sectors

In order for the Company to become a leading infrastructure company in the PRC by 2010, we must be well informed of the developments in the infrastructure sector outside of toll road operations. We have begun research into this area which I believe is a necessary step before we expand into a new business arena.

- **An economy in transition**

We are in the era of a changing economy, which is undergoing a transition from a "planned economy" to a "market economy", and from a "traditional economy" to a "new economy". The most obvious characteristic of an economy in transition is the acceleration of changes, even to the extent of affecting people's value systems.

The fact is that "change" is the only thing that will never change. The key is not whether to change or not, but how to manage change. We believe this means managing risks and grasping opportunities. While trying to minimize uncertainties, what we ought to do is to seize development opportunities and continuously provide value and good return to our shareholders.

- **Continuously improving corporate governance**

In order to ensure the Company's strategy always stays on the right track, and that it sustains its excellent performance, the Company is committed to continuously improving its corporate governance.

As an important part and basis of improving its corporate governance, the second session of the Board and Supervisory Committee increased the number of non-executive and independent members. The profiles of the members of the Board and Supervisory Committee are provided on pages 34 to 39.

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In addition, two sub-committees were formed under the Board in 2000. One is the Audit Committee, comprising five non-executive Directors, the other is the strategic development committee comprising four executive Directors.

We believe that the increase in these non-executive and independent members, as well as the setting up of the two sub-committees, will help us to make wiser strategic decisions and enhance internal controls.

What is worth mentioning is that two overseas investment funds have each invested in more than 10% of the Company's H Shares, thus becoming major overseas shareholders of the Company. We are very pleased with this development, and welcome more value-based long-term investors to become our shareholders. In addition, as a result of a transfer of state-owned shares, Huajian will become the Company's second largest shareholder. We believe that the joining of overseas institutional investors as well as Huajian as our major shareholders will provide further impetus to our efforts in improving corporate governance.

We are confident that we can do better in corporate governance, and will carry out the following two initiatives in addition to the above:

1. To use strategies such as salary, bonus and long-term motivation schemes to align the interest of the management with that of our shareholders; and
2. To gradually improve the Company's organization structure to closely monitor the strategic decisions made by the top management.

• Corporate culture

The Company promotes a corporate culture of "harmony and openness", because we believe a corporate culture like this is beneficial to our customers, employees, shareholders and the society at large. In particular, we encourage employees to work in a harmonious and open atmosphere, continuously learning new knowledge and techniques. Indeed, our staff have demonstrated team spirit while working diligently. We also welcome capable individuals to join our team.

Furthermore, the Company continues to improve corporate transparency, maintaining an open channel of communication with investors and shareholders. This is also an extension of the Company's corporate culture of "harmony and openness".

- **Outlook**

The Group's growth will come from the organic growth of its expressway assets such as the Shanghai-Hangzhou-Ningbo Expressway, as well as from the addition of more value-added projects. In the next few years, along with the deepening of the PRC's reforms, taking advantage of the PRC's imminent accession to the World Trade Organization and the Company's research into other sectors of infrastructure, we will seize more expansion opportunities, providing higher growth and creating more value to our shareholders.

- **Appreciation**

Finally, I would like to thank every employee of the Group for their hard work during the past year, and to extend my sincere gratitude toward Mr. Ying Shudeng and Mr. Xu Yikuang, who have retired from their positions of Directors, for their invaluable contribution during the Company's establishment and development.